

July 27, 2026

Shriram Finance Limited: Rating reaffirmed for PTCs issued under vehicle loan securitisation transaction

Summary of rating action

Trust name	Instrument*	Initial rated amount (Rs. crore)	Amount O/s after last surveillance (Rs. crore)	Current rated amount (Rs. crore)	Rating action	Financial Sector Regulator#
Sansar Vehicle Finance Trust Dec 2022	PTC Series A	2,611.74	2,455.04	2,141.63	[ICRA]AAA(SO); reaffirmed	RBI

*Instrument details are provided in Annexure I

#SEBI's grievance redressal/dispute resolution and SEBI investor protection mechanisms such as SCORES and ODR shall not be available for activities and instruments which fall under the regulatory purview of Financial Sector Regulators other than SEBI.

Rationale

The pass-through certificates (PTCs) are backed by commercial vehicle (CV), passenger vehicle (PV), and construction equipment (CE) loan receivables originated by Shriram Finance Limited {SFL/Originator; rated [ICRA]AAA(Stable)¹}. As per the transaction structure, the Originator would assign follow-on pools to the trust during the replenishment period, basis the pre-defined eligibility criteria. The replenishment period will continue until 54 months (i.e. September 2028) from transaction commencement in case of non-occurrence of the defined trigger events.

As of June 2026 payout month, the transaction is in the replenishment period and the current pool meets the defined eligibility criteria. The rating reaffirmation factors in the satisfactory pool performance, compliance with eligibility criteria specified for replenishment contracts, no breach of trigger events, and maintenance of minimum Asset Coverage Ratio (ACR) of 1.1375x (as per the terms of the transaction).

Pool performance summary

Parameter	Sansar Vehicle Finance Trust Dec 2022
Payout month	June 2026
Months post securitisation	26
Pool amortisation	7.5%
PTC amortisation	18.0%
Cumulative cash collateral (CC) utilisation	0.0%
CC (% of balance pool)	4.7%
Excess interest spread (EIS; % of balance pool) for PTC A/A1 ²	4.8%
Subordination (% of balance pool) for PTC A/A1	22.1%

Transaction structure

As per the transaction structure, the cash flow schedule will comprise the promised quarterly interest payments to PTC Series A at the predetermined interest rate on the principal outstanding and the entire principal on the final maturity date (78th month from the PTC issuance date or September 18, 2030). During the tenure of PTC Series A, the collections from the pool will be utilised to make the scheduled quarterly interest payments and the principal repayment on an expected basis as per the schedule mentioned in the exhibit below. The trustee has opened reserve accounts, viz. Interest Service Reserve Account

¹ The current rating rationale of the originator, available at this [link](#), provides its detailed rating history and rating transitions.

² (Pool cash flows – Cash flows to PTC) / Pool principal outstanding

(ISRA) and Mandatory Cash Sweep Service Reserve Account (MCSSRA), in which the trustee deposits the next interest and principal due from the collections as per the waterfall mechanism.

Expected principal repayment schedule of PTCs

Months post PTC issuance	12	18	24	30	36.5	42	48	54	60
Principal repayment (%)	6.0%	6.0%	6.0%	6.0%	12.5%	12.5%	12.5%	12.5%	26.0%
Cumulative Principal repayment (%)	6.0%	12.0%	18.0%	24.0%	36.5%	49.0%	61.5%	74.0%	100.0%

The transaction will have a replenishment period of up to 54 months (i.e. September 2028) if no PTC trigger event occurs. During the replenishment period, the excess collections after meeting the deposits in the ISRA and MCSSRA along with the investor payouts would be used to purchase additional pool of loan receivables that meet pre-defined selection criteria. A minimum asset coverage ratio (ACR) of 1.1375x (gradually building up to 1.5x) is required to be maintained during the replenishment period.

The asset cover ratio will be calculated on each distribution date (PTC payout date), starting from the first distribution date, as (A)/(B), where:

- (A) is the total outstanding principal amount of the identified receivables plus the balance amount in the MCSSRA and ISRA plus any other cash balances available in the collection and payout account
- (B) is the outstanding principal of the senior tranche PTCs plus the unpaid but accrued yield on the senior PTCs

For the calculation of the asset cover ratio;

- (i) only the principal amount of the receivable is taken into consideration
- (ii) if any receivables are overdue for more than 60 days or have been restructured or rescheduled before as on the testing date, the principal amount of the receivables will be excluded from the calculation
- (iii) the principal amount scheduled for payment beyond the last MCS (mandatory cash sweep) payment date shall be excluded from the calculation.

The asset cover test will be carried out monthly, starting from the immediately succeeding month of the date of allotment of PTCs.

The transaction also features various trigger events, and upon the occurrence of any trigger event, the replenishment period will end and the trustee, if directed by the majority of investors may find one or more purchaser for receivables. The trustee will also be entitled to terminate the servicer agreement with SFL and appoint a replacement servicer. The servicer shall be entitled to deposit the collections from the underlying pool on daily basis. The amortisation of the PTCs would, however, be restricted to 25% during the first three years in line with the Voluntary Retention Route (VRR) scheme and any excess collections will be maintained in a bank account.

The initial pool and the replenishment pool(s) will have a weighted average rate of return greater than 16% and less than 22% whereas the PTC yield is fixed at 9.30% resulting in a healthy spread. Any residual EIS after meeting the shortfalls in investor payouts and the top-up of the CC (if required) will be utilised to replenish the pool for a period of up to 54 months from the date of allotment of PTCs, provided, on the occurrence of a trigger event, the pool replenishment will get terminated and all cashflows will be used to meet statutory dues, operating expenses and Senior PTCs dues. Post replenishment of the pool and establishment of the required asset cover ratio, the residual amount as well as any outstanding receivables will be used to make payout to the senior tranche and upon redemption of the senior tranche in full, the residual amount will be paid to the equity tranche.

Key rating drivers and their description

Credit strengths

Adequate servicing capability of SFL – SFL, which is also servicing the loans in the transaction, has a well-established track record in the pre-owned commercial vehicle financing business of more than four decades and has adequate underwriting policies and collection procedures across a wide geography. It also has satisfactory processes for servicing the loan accounts in the securitised pool.

Strong selection criteria – The current transaction has strong selection criteria such as none of the contracts are used for financing tractors, share of new vehicle does not exceed 15% of the principal outstanding as on the pool cut-off date, overdue does not exceed 5% of the principal outstanding, minimum seasoning of 9 months etc. supports the transaction's credit quality and are viewed as credit positive.

Credit challenges

Risks associated with lending business – The performance of the initial and follow on pools would remain exposed to macro-economic shocks, business disruptions and natural calamities that may impact the income-generating capability of the borrowers and their ability to make timely repayments of their loans.

Key rating assumptions

ICRA's cash flow modelling for rating securitisation transactions involves the simulation of potential losses, delinquencies and prepayments in the pool. The losses and prepayments are assumed to follow a log-normal distribution. The assumptions for the losses and the coefficient of variation are considered on the basis of the values observed from the analysis of the past performance of the Originator's loan portfolio as well as the characteristics of the specific pool being evaluated. The resulting collections from the pool, after incorporating the impact of the losses and prepayments, are accounted for in ICRA's cash flow model, in accordance with the cash flow waterfall of the transaction.

For the current pool, ICRA has estimated the shortfall in the pool principal collection during its tenure at 4.00% with certain variability around it. The average prepayment rate for the underlying pool is modelled in the range of 4.8% to 18.0% per annum. Various possible scenarios have been simulated at stressed loss levels and prepayment rates and the incidences of default to the investor as well as the extent of losses are measured after factoring in the credit enhancement to arrive at the final rating for the instrument.

Details of key counterparties

The key counterparties in the rated transaction are as follows:

Transaction name	Sansar Vehicle Finance Trust Dec 2022
Originator	Shriram Finance Limited
Servicer	Shriram Finance Limited
Trustee	Catalyst Trusteeship Limited
CC holding Bank	Barclays Bank PLC
Collection and payout account Bank	Barclays Bank PLC

Liquidity position: Superior

The liquidity for the instrument is superior after factoring in the credit enhancement available to meet the promised payout to the investor. The total credit enhancement is over 7.5 times the estimated loss for the pool.

Rating sensitivities

Positive factors – Not applicable for PTCs

Negative factors – The rating could be downgraded on occurrence of trigger event, non-adherence to the key transaction terms and deterioration in performance of the underlying pool. Weakening in the credit profile of the servicer (SFL) could also exert pressure on the rating.

Analytical approach

The rating action is based on the key characteristics and composition of the current available pool and the defined eligibility criteria for the follow-on pools, performance expected over the balance tenure of the follow-on pools, and the credit enhancement cover available in the transaction.

Analytical approach	Comments
Applicable rating methodologies	Securitisation Transactions
Parent/Group support	Not applicable
Consolidation/Standalone	Not applicable

About the originator

Shriram Finance Limited [SFL; erstwhile Shriram Transport Finance Company Limited (STFC)], incorporated in 1979, is a part of the Shriram Group of companies and an upper layer non-banking financial company (NBFC). Based on the National Company Law Tribunal (NCLT) order dated November 14, 2022, the operations of Shriram City Union Finance Limited (SCUF) and Shriram Capital Limited were merged with STFC, which was rechristened Shriram Finance Limited on November 30, 2022.

SFL enjoys a leadership position in preowned commercial vehicle finance and has a pan-India presence with more than 3,700 branches and other offices. As on December 31, 2025, SFL had a standalone AUM of Rs. 2.92 lakh crore comprising commercial vehicle finance (46%), passenger vehicle finance (22%), loans to micro, small and medium-sized enterprises (MSMEs; 14%), construction equipment and farm equipment finance (7%), two-wheeler loans (6%), personal loans (3%) and gold loans (2%).

Key financial indicators

Shriram Finance Limited (standalone)	FY2024	FY2025	FY2026
Total income	34,998	41,859	48,178
Profit after tax	7,190	9,761	9,998
Total managed assets	2,52,802	3,10,141	3,40,976
Gross stage 3 assets	5.5%	4.6%	4.6%
Capital-to-risk weighted assets ratio	20.3%	20.7%	20.4%

Source: Company, ICRA Research; All ratios as per ICRA's calculations; Amount in Rs. Crore;
Total managed assets = Total assets + Impairment allowance + Direct assignment – Goodwill;

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

Trust name	Instrument	Current rating (FY2027)		Chronology of rating history for the past 3 years			
		Initial amount rated (Rs. crore)	Current amount rated (Rs. crore)	Date & rating in FY2027	Date & rating in FY2026	Date & rating in FY2025	Date & rating in FY2024
				Jul 27, 2026	Jul 24, 2025	Jul 02, 2024	Mar 28, 2024
Sansar Vehicle Finance Trust Dec 2022	PTC Series A	2,611.74	2,141.63	[ICRA]AAA(SO)	[ICRA]AAA(SO)	[ICRA]AAA(SO)	Provisional [ICRA]AAA(SO)

Complexity level of the rated instrument

Trust	Instrument	Complexity indicator
Sansar Vehicle Finance Trust Dec 2022	PTC Series A	Highly Complex

The Complexity Indicator refers to the ease with which the returns associated with the rated instrument could be estimated. It does not indicate the risk related to the timely payments on the instrument, which is rather indicated by the instrument's credit rating. It also does not indicate the complexity associated with analysing an entity's financial, business, industry risks or complexity related to the structural, transactional or legal aspects. Details on the complexity levels of the instruments are available on ICRA's website: [Click here](#)

Annexure I: Instrument details

ISIN	Trust name	Instrument type	Date of issuance / sanction	Coupon rate (p.a.p.m.)*	Maturity date	Current rated amount (Rs. crore)	Current rating	Financial Sector Regulator#
NA	Sansar Vehicle Finance Trust Dec 2022	PTC Series A	March 25, 2024	9.20%	September 18, 2030	2,141.63	[ICRA]AAA(SO)	RBI

Source: Company; * Per annum payable quarterly

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Annexure II: List of entities considered for consolidated analysis

Not applicable

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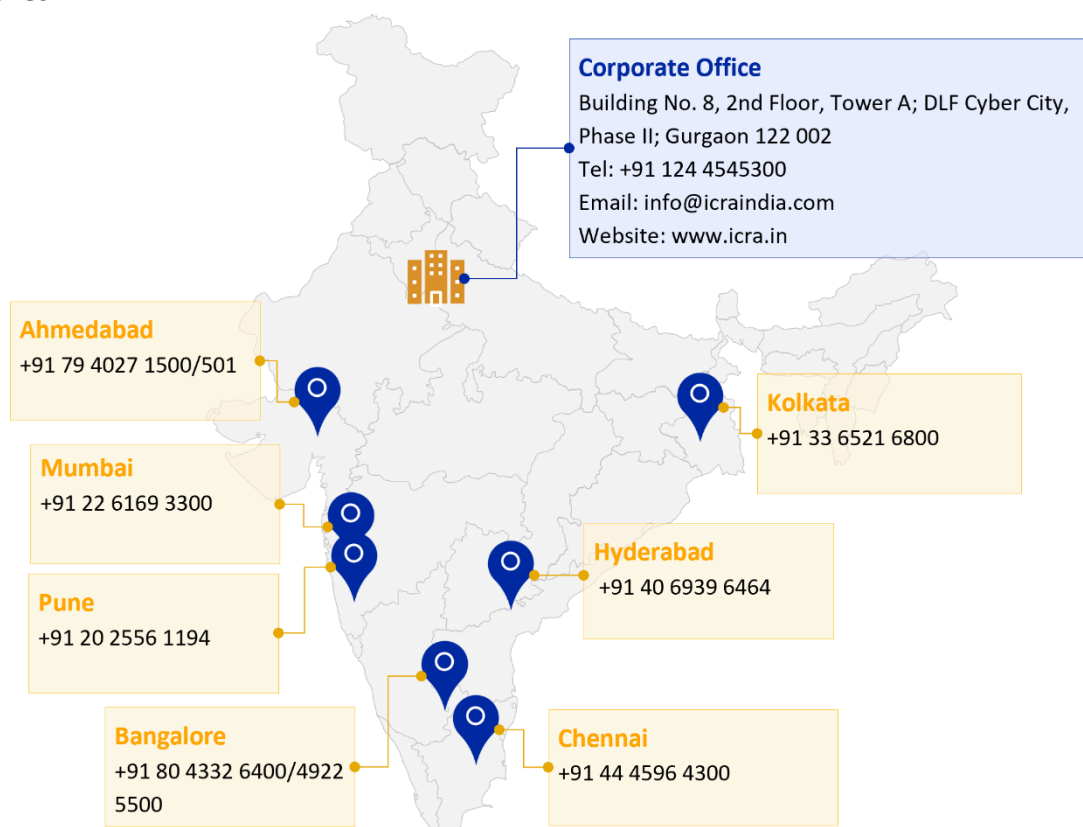


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